

In re: FRIEDLANDER CAPITAL MANAGEMENT CORP., Debtor
PATRICIA A. DZIKOWSKI,

Plaintiff

v.

CAROLEE FRIEDLANDER AND CAROLEE DESIGNS, INC.,

Defendants

CASE NO.: 03-32827

ADV. NO.: 05-03088

Debtor, a Connecticut corporation solely owned and controlled by Burton G. Friedlander (“Mr. Friedlander”), managed a pooled investment fund. Mr. Friedlander caused Debtor to loan \$500,000 to his then wife, Carolee Friedlander (“Ms. Friedlander”). Ms. Friedlander, however, believed the loan was from Mr. Friedlander and paid \$500,000 to Mr. Friedlander. The Trustee filed a complaint against Ms. Friedlander and her company seeking, inter alia, avoidance of the Debtor's alleged fraudulent transfer under 11 U.S.C. § 544 and Connecticut General Statute § 52-552e (a) (2). However, the Trustee pursued the claim against Ms. Friedlander only. Ms. Friedlander asserted a defense based upon the doctrine of reverse veil piercing. She argued that her payment to Mr. Friedlander constituted repayment to the Debtor. As an initial matter, the Court determined that Connecticut law governed the Court's reverse veil piercing analysis. Thereafter, the Court concluded that Ms. Friedlander proved the elements of the identity test by establishing there was such a unity of interest and ownership between Mr. Friedlander and Debtor that the separate existence of Debtor ceased. The Court also determined that application of reverse veil piercing was necessary to achieve an equitable result. Thus, the Court found that Ms. Friedlander's payment to Mr. Friedlander constituted full repayment to Debtor.